



Filing Receipt

Received - 2021-07-19 02:14:55 PM
Control Number - 51812
ItemNumber - 226



July 19, 2021

Public Utility Commission of Texas
William B. Travis Building
Congress Ave, P.O Box 13326
Austin, TX 78701

*Re: Project No. 51812, Issues Related to the State of Disaster for the February 2021
Winter Weather Event*

Dear Commissioners:

On July 6, 2021, Governor Abbott directed the Commission to take immediate action to improve the reliability of the Electric Reliability Council of Texas, Inc. ("ERCOT") region electric grid by: i) streamlining incentives within the ERCOT market to foster the development and maintenance of adequate and reliable sources of power; ii) allocating reliability costs to generation resources that cannot guarantee their own availability; iii) instructing ERCOT to establish a maintenance schedule for natural gas, coal, nuclear, and other non-renewable electricity generators; and iv) ordering ERCOT to accelerate the development of transmission projects that increase transmission capacity to dispatchable generation facilities. Implementing these directives will necessitate a thorough analysis of existing market structures to determine best practices moving forward. STEC hereby urges the Commission to engage an independent, third-party consultant to spearhead the research, analysis, and recommendations for implementing the Governor's directives.

The Commission has already begun a third-party, independent review of the events of the February winter weather event by tasking the University of Texas ("UT") with the preparation of a report on the outages that occurred during the storm. The goal of UT's recently released report is to "create a common basis of fact to educate the debate over policy considerations as a response to the winter storm" and to "inform future assessments" of the complex event.¹

STEC believes that an independent third party that does not have a financial interest in the ERCOT market, using as a foundation the directive from the Governor and the newly passed legislation, would be best suited to perform the requisite studies and develop the information to

¹ *Investigation Regarding the February 2021 Winter Weather Event*, Project 51825, The Timeline and Events of the February 2021 Texas Electric Grid Blackouts at 12 (Jul. 12, 2021).

advise the Commission as to the necessary ERCOT market reforms. A third-party consultant that is directly accountable to the Commission will be able to provide a neutral assessment of policy reforms that can be presented to stakeholders for comment. As evidenced by the issuance of ERCOT's *Roadmap to Improving Grid Reliability*,² the Commission is likely to be inundated with various proposals, recommendations, studies, and analyses from various stakeholders and market participants. Much of the Commission's valuable time could be spent reviewing multiple proposals based on multiple studies that focus on different facts tailored to a particular segment of the market. It is essential that the Commission lead the efforts to develop both the regulatory requirements for the market, and related operational policies, that improve system reliability. Having an independent third-party investigate and prepare the requisite studies and analysis for the Commission will help to ensure that the debate is centered on the topics identified by the Commission and in furtherance of the policy objectives set forth in the Governor's directive that further emphasizes the authority bestowed upon the Commission by the Legislature.

STEC recommends that the Commission address a broad spectrum of reliability issues to develop a comprehensive assessment of system conditions and the necessary incentives required to achieve a reliable grid system. As has been articulated by many commenters in Project No. 51840, *Project to Implement Weatherization Standards*, it is critical that market policies and operational standards work in tandem to foster investment in dispatchable generation and ensure system reliability. STEC therefore urges the Commission to include the following items in its evaluation of policies that further the goals of the Governor's directive:

- Prioritizing human needs during emergency events that require rotating outages while ensuring fuel supply for generation;
- Incentivizing capacity reserves for market participants;
- Establishing mandatory, seasonal reserve requirements;
- Creating a market-wide firming requirement for non-dispatchable generation.
- Evaluating the administrative pricing adders, demand curves, and Ancillary Services, including Ancillary Service qualification criteria, quantities, and pricing structures, to incentivize dispatchable generation; and
- Ensuring that Ancillary Services and all reliability services are available when deployed; and

² http://www.ercot.com/content/wcm/lists/219694/ERCOT_Roadmap_Final_July_13_2021.pdf.

Public Utility Commission of Texas
July 19, 2021
Page 3 of 3

- Reviewing the four-coincident peak transmission pricing structure that distorts market pricing signals.

STEC appreciates your consideration of these matters and stands ready to assist in the development and implementation of the Governor's directives.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Mike Kezar', with a long horizontal flourish extending to the right.

Mike Kezar
General Manager